State of Washington
Decision Package

Agency: 490 Department of Natural Resources
Decision Package Code/Title: 8F Fuel Rate Adjustment
Budget Period: 2009-11
Budget Level: M2 - Inflation and Other Rate Changes

Recommendation Summary Text:

This package seeks funding to offset the rise in fuel prices during the 2009-11 biennium.

Fiscal Detail

<table>
<thead>
<tr>
<th>Operating Expenditures</th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-1 General Fund - Basic Account-State</td>
<td>293,100</td>
<td>253,400</td>
<td>546,500</td>
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<tr>
<td>014-1 Forest Development Account-State</td>
<td>108,300</td>
<td>93,600</td>
<td>201,900</td>
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<td>01B-1 Off Road Vehicle Account-State</td>
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<tr>
<td>02R-1 Aquatic Lands Enhancement Account-State</td>
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<tr>
<td>041-1 Resource Management Cost Account-State</td>
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<td>04H-1 Surface Mining Reclamation Account-State</td>
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<td>139-1 Water Quality Account-State</td>
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<tr>
<td>190-6 Forest Fire Protection Assessment-Non-Appropriate</td>
<td>92,300</td>
<td>79,800</td>
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<tr>
<td>193-6 State Forest Nursery Revolving Acct-Non-Appropriate</td>
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<td>198-6 Access Road Revolving Account-Non-Appropriated</td>
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<td><strong>Total Cost</strong></td>
<td>753,100</td>
<td>650,700</td>
<td>1,403,800</td>
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</table>

Package Description:

This package seeks funding to offset the rise in fuel prices during the 2009-11 biennium.

The agency performs many land management and resource protection functions that require extensive travel by DNR staff. DNR visits are imperative to efficiently performing these functions. Without this inflationary increase, the Department will be unable to maintain its current level of land management on nearly 5.0 million acres, and become less efficient in its field operations.

Fuel costs are funded at $2.48 per gallon in the Department's 09-11 carryforward level budget. Department staff drive approximately 23,700,000 miles each biennium, using approximately 1,540,000 gallons of fuel. Per the June 2009 Transportation Revenue Forecast Council, FY 10 fuel costs are projected at $3.64 per gallon, and FY 11 costs are projected at $3.50 per gallon. These increased costs will be partially offset by DNR's goal to reduce miles driven by 5%.
Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

Staff will continue performing current level of land management and resource protection functions.

This request impacts many DNR activities, including State Lands Management (Product Sales, Silviculture, Roads); Aquatic Lands Business Management; Forest Practices (Rules, Manage Adaptively, Small Forest Landowner Office); Fire Control; Recreation and Natural Areas.

Performance Measure Detail

Activity: A001 Administration

Incremental Changes

No measures submitted for package

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This proposal supports the Department of Natural Resources' strategic plan as follows:

Upland resources provide substantial levels of trust revenue, conservation, and public benefits consistent with our fiduciary duty and legal commitments.

Land management activities such as timber sales and silviculture depend on site visits to achieve its objectives.

DNR is faithfully implementing its responsibilities as a regulator. Resource protection functions such as forest practices regulation depend on site visits to achieve its objectives.

Does this decision package provide essential support to one of the Governor's priorities?

This proposal supports the following Priorities of Government:

1) Improve the quality of Washington's natural resources. The department performs many land management and resource protection functions that require site visits to be effective.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?

This proposal supports the following statewide results:

Improve the quality of Washington's natural resources.

Achieve sustainable use of public natural resources
Preserve, maintain and restore natural systems and landscapes
Establish safeguards and standards to protect natural resources

What are the other important connections or impacts related to this proposal?

This fuel rate adjustment allows the department to maintain its current level of land management activities on nearly 5.0 million acres, including those in the Puget Sound Basin.

What alternatives were explored by the agency, and why was this alternative chosen?

September 5, 2008
The Department has explored two alternatives. It could: 1) reduce current mileage levels by 36 percent, or 2) increase its vehicle usage rates and reduce program activities to cover the increased vehicle costs.

The alternatives were viewed under the assumption that the high fuel prices will continue and are not a one-time event.

1) The agency could direct its operating programs to reduce mileage driven by 36 percent. This would keep the total fuel cost at funded levels. Cutting this deeply in miles driven would severely limit the agency's ability to do its proprietary and regulatory job and does not provide a sustainable solution. However, DNR has set a goal to reduce miles driven by 5%; this assumption is incorporated into the calculations of this request, reducing the initial cost estimate by approximately $275,000.

2) The agency could increase its expenditures on fuel to retain it at the 95% level. This large of an increased cost to the programs, without the added funding from this request, would mean reductions in program areas, including staff needed to meet program deliverables.

Requesting a separate inflation package to cover the increased costs of fuel, incorporating a 5% reduction target, is our recommended alternative. It provides a long-term solution for what appears to be a long-term condition by allowing the fund to increase its vehicle mileage rates to cover the added fuel cost while providing funding to programs to meet this increased cost and maintain their program deliverables.

What are the consequences of not funding this package?

Without additional resources, the Department will be forced to revisit the alternatives of reducing current mileage levels, or reducing program deliverables to cover the increased fuel cost.

What is the relationship, if any, to the state’s capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None

Expenditure and revenue calculations and assumptions

Fuel costs are funded at $2.48 per gallon in the Department's 09-11 carryforward level budget. Department staff drive approximately 23,700,000 miles each biennium, using approximately 1,540,000 gallons of fuel. Per the June 2009 Transportation Revenue Forecast Council, FY 10 fuel costs are projected at $3.64 per gallon, and FY 11 costs are projected at $3.50 per gallon. These increased costs will be partially offset by DNR's goal to reduce miles driven by 5%. The net increased cost is $753,000 in FY 10 and $650,700 in FY 11.

The distribution of these costs by fund is based upon historical vehicle usage data by program.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

The increased cost of fuel is considered an on-going cost.